© Entire contents copyright 1992 by Crain Communications Inc. All rights reserved

October 26, 1992

C2710-2

#BXBLLBG*******5-DIGIT 20814
OOZ
#040526692 5#01PI22226 99
STATISTICAL REF INDEX
4520 EAST-WEST HWY SU 800
BETHESDA MD 20814

Pensions & Investments

The Newspaper of Corporate and Institutional Investing

$10 An Issue/$150 A Year

AT DEADLINE

Funds change consultants

• The $68 billion **California Public Employees' Retirement** System did not renew the contract with its real estate consultant, The Roulac Group, and selected a partnership of Pension Consulting Alliance and Kenneth Leventhal & Co. The change is considered a major loss for The Roulac Group because the California fund, with $7.5 billion in real estate, is one of the few funds in the United States still actively buying real estate.

• The $320 million **Employees Retirement System, St. Louis**, hired Asset Consulting Group as its new consultant.

New managers chosen

• The $1.15 billion **San Diego City Employees' Retirement System** committed $10 million each to Metric Institutional Realty and RREEF for apartment investments on a co-investment basis. Commitments also were made to Loomis, Sayles and Analytic Investment Management for an options overwriting strategy. The two will write index options on the fund's $350 million large-cap equity portfolio. Funding is contingent on fee negotiations and due diligence.

• **Stanhome Inc.** hired The Putnam Cos. to be manager, trustee and custodian for its $6.5 million 401(k) plan. Bay Bank previously had managed $2.5 million for the plan.

• The $27 billion **Ohio Public Employees Retirement System** committed $15 million to the Blue Chip Capital Fund, a venture capital fund sponsored by Gradison & Co. The fund will invest in companies in southern Ohio, Kentucky and Indiana.

• **Habitat Administradora de Fondos de Pensiones**, the Santiago, Chile-based management company for the Chilean social security system, hired Shearson Lehman Brothers' Consulting Group Institutional Services, to handle a $35 million global fixed-income account.

Shearson will subcontract with

Continued on page 39

INSIDE

Election round-up

As the presidential election winds up, there seems to be little difference between the two major party candidates — although President Bush wins the approval of one shareholder activist group. Stories on Page 32.

New York's Rockefeller Center is among the Japanese investments that have soured.

Japanese hit by heavy realty loss

By Steve Hemmerick

Japanese investors have lost more than 30% — at least $22.8 billion in value on $76 billion — U.S. equity real estate investments, a serious loss for some Japanese who want to raise cash because of economic problems back home.

The loss was estimated for 1986 through 1991 by the accounting firm, Kenneth Leventhal & Co., Los Angeles.

Although the Japanese contend they are long-term investors and aren't unduly upset about their real estate losses, others say they might be trying to save face.

Among the poor-performing real estate investments:

• Mitsubishi Estate Co.'s 80% stake in New York's Rockefeller Center is worth about 47% less than what the firm paid for it.

Mitsubishi Estate, Tokyo, paid $1.37 billion for the controlling interest in Rockefeller Group Inc. Radio City Music Hall Productions Inc., which owns, leases and operates the center.

BDS Securities Corp., New York, a broker in distressed securities, estimates the Rockefeller property is now worth $900 million, according to Kevin J. McCabe, BDS director of research. That means Mitsubishi's 80% stake is worth about $720 million.

A key problem is nearly 45% of Rockefeller Center's available space for leasing comes up for renewal in 1994, and New York's real estate market is perceived to be in a severe and long-term depression.

• The Daiichi Real Estate Co. of Japan, Tokyo, burdened by its own debts, took the unusual step

See **Losses** *on page 34*

GM, U S WEST seeking private investment relief

Approval would widen in-house opportunities

By Joel Chernoff

WASHINGTON — The pension funds of General Motors Corp. and U S WEST Inc. are seeking broad relief from the private pension law's fiduc.ary rules to facilitate their ability to invest in a wide variety of investments.

If the Department of Labor approves the funds' respective requests, it would enable them to use internal staff to engage in a host of investments, including real estate, asset-backed securities, timber, oil and gas, sale-leasebacks, foreign currency hedging, synthetic guaranteed investment contracts and venture capital.

Approval would open a variety of transactions that private pension funds currently must pay outside advisers to handle or must forgo entirely because they would be forced to endure a lengthy and costly exemption process for each transaction from the Labor Department.

The $34 billion GM fund's proposed exemption from the 1974 Employee Retirement Income Security Act's prohibited transaction rules, filed in August 1991, affects nearly 20% of its investments and is closer to fruition than U S WEST's, Labor Department officials said. Observers hope an exemption will establish an important precedent for large pension funds that use in-house money managers.

"A large number of large plan sponsors are seriously considering filing their own applications," said Scott Macey, executive vice president and general counsel, Actuarial Sciences Associates, a unit of American Telephone & Telegraph Co., Piscataway, N.J.

A Richard Susko, a partner in the law firm of Cleary, Gottlieb, Steen & Hamilton, New York, said the relief "is long overdue" and urged the department to publish the proposed exemption for GM promptly. "There are literally hundreds of transactions that impede the plans' ability to obtain best execution or pursue the most efficient investment strategy."

An attorney for GM declined to comment. Other GM officials could not be reached.

U S WEST's application would cover eight pension and welfare plans, with $10.6 billion in total assets.

James Biundo, U S WEST's executive director-trust investment management, said the exemption "would help us reduce the number of checks we go through in terms of managing our internal fixed-income portfolio." That portfolio has $890 million in assets.

Investment experts said the largest pension funds are increasing

See **Relief** *on page 34*

Advisers spend big for Bush

Republicans top Democrats 3-to-1

By Hillary Durgin

WASHINGTON — An informal survey of leading investment management professionals found contributions to President Bush and various Republican committees outpaced funds given to Gov. Bill Clinton and the Democrats by almost 3-to-1.

As of Oct. 16, the most recent information available, the president and/or Republican committees received a total of $174,375, while Gov. Clinton and/or Democratic groups received $67,975.

Those totals don't include $249,900 in so-called soft money contributions given to the Republican Party. These funds, which cannot be used in federal elections, were not required to be disclosed prior to January 1991.

Soft money, which is exempt from contribution limits, generally is used by the parties to supplement the $55 million in federal funds given to presidential candidates. The soft money goes toward efforts such as voter registration and providing absentee ballots.

Investment managers' soft money contributions reflect a broad trend across the securities and investment industries.

Of the $11.2 million in contributions from the securities indus-

See **Election** *on page 38*

Party backers

After the nominating conventions have been held, supporters of the presidential candidates must direct contributions to the respective political parties. Some of the contributors below also gave money to the candidates during the primary season.

Martin T. Sosnoff
Atalanta/Sosnoff Corp.

John H. Hobbs
Jennison Associates Capital Corp.

Claude N. Rosenberg
RCM Capital Management

William F. Podlich
Pacific Investment Management Co.

William R. Hambrecht
Hambrecht & Quist

F. Warren Hellman
Hellman & Friedman

Robert A. Day
Thomas E. Larkin Jr.
Trust Co. of the West

Charles B. Johnson
Franklin Advisers Inc.

John F. Hotchkis
Hotchkis and Wiley

Nicholas C. Forstmann
W. Brian Little
Forstmann Little & Co.

Source: Federal Election Commission documents

KIMBERLY MART

NEWS DIGEST

GORDON PHILP

Thailand's thriving economy and strong stock market are being overshadowed by the country's widespread epidemic of acquired immune deficiency syndrome. Page 20.

The use of company stock in a funding vehicle for retiree health care has drawn the criticism of the Securities and Exchange Commission. Page 6.

SPECIAL REPORT: EMERGING MARKETS

Some heady performance numbers can be found in the world's developing markets, but institutional investors are discovering each country also has its share of problems. Stories begin on Page 19.

INTERNATIONAL

Minnesota's Investment Board creates standards for its overseas investments in response to organized labor's protests. Page 27.

British Coal's plans to lay off more than half its workers won't affect pension fund investments. Page 35.

REAL ESTATE

Japanese investors, already suffering economic problems at home, have lost an estimated 30% on their U.S. equity real estate holdings. Page 1.

Apartments and single-family homes offer the best investment potential in 1993, according to the soon-to-be-released "Emerging Trends" report. Page 3.

Stock analysis techniques also can be used effectively in evaluating real estate investments. Page 30.

DEPARTMENTS

Classified	36	Opinion	14
Commentary	16	Pension Surplus Index	13
From the editor	14	People	29
Frontlines	10	P&I Indexes	10
Hirings	28	Portfolio management	30

Vol. 20, No. 23 — Pensions & Investments (ISSN 1050-4974) is published biweekly with a special edition in May and October by Crain Communications, Inc., 740 Rush St., Chicago, Ill. 60611-2590. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investments, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Pension issues at the polls

4 states place retirement system questions on ballots

By Sabine Schramm and Terry Williams

Voters in California, Oklahoma, Colorado and New Jersey will cast ballots directly affecting the funding — or use of funds — of the retirement systems.

Under pressure from tighter budgets and voters pushing for spending limits and tax reform, state legislatures are looking more often at the resources sitting in the coffers of state pension funds.

In California, labor groups took the initiative to protect their pension assets from raids by the state government. A coalition of more than 20 labor groups put "The California Pension Protection Act of 1992" on the Nov. 3 ballot.

The proposed constitutional amendment "grants the board of the public employee retirement system sole and exclusive authority over investment decisions and administration of the system."

Proposition 162 is a direct reaction to the raid on the California Public Employees' Retirement System last year in Assembly Bill 702, explained Bob Walton, assistant executive officer to the $68 billion pension system. The bill, among other things, deleted cost-of-living-adjustment benefits under two programs and the $1.9 billion gained from that move was used to offset employer contributions (*Pensions & Investments*, June 24 and Aug. 19, 1991).

Also, actuarial responsibilities were transferred to the governor's office from the pension system. Under Proposition 162, those responsibilities would be returned to the pension fund.

"Its passage will limit the opportunity for Gov. (Pete) Wilson to use the actuary to raid the pension fund by shorting the contribution rate," said Jake Petrosino, a trustee for the California fund.

"During last year's budget crisis, there were rumors that (Bill) 702 would restructure (the retirement) board of administration, replacing the 13-member board, made up of elected and appointed members, with nine appointees," said Mr. Walton. Although this proposal was not on the final version, Proposition 162 addresses the issue. "Pension boards with elective members cannot be reconstituted without an election of voters in the fund's jurisdiction," said Mr. Walton.

The retirement system has taken an active role in supporting passage of Proposition 162. As to how well the proposition will do, Mr. Walton said surveys and polls have been positive. The vote on the proposition will be binding.

Gov. Wilson's actions in California had a direct impact in Oklahoma.

Legislative Referendum No. 289 on the Oklahoma ballot would require that all proceeds, assets and income of certain public retirement systems be held, invested or disbursed as in trust for a limited purpose.

According to Rex Privett, executive director of the $2 billion Oklahoma Public Employees' Retirement System, the referendum is in response to what happened

See **Ballots** *on page 37*

L.A. County taking 457 assets

$250 million going to plug budget gap

By Steve Hemmerick

LOS ANGELES — Los Angeles County's plan to take up to one-quarter of the assets from its $1 billion 457 defined contribution plan to help cover the county's budget deficit could trigger copycat assaults on 457 plans nationwide, pension consultants say.

Los Angeles County supervisors agreed to "borrow" the assets from the 457 plan to help avoid laying off 8,000 to 12,000 county employees and lessen the reduction in county services because of an $883 million deficit.

County officials said they plan to take the assets from the Stable Income Fund option of the county's Horizons Plan, a 457 plan. The Stable Income Fund has approximately $750 million invested in a hybrid guaranteed investment contract with Metropolitan Life Insurance Co., New York.

County officials flatly rejected any accusations that the plan assets won't be repaid. They insisted the assets belong to the county, not the employees, and the county has the right to use the money.

"We are not really borrowing money," said Sharon Yonashiro, director of public finance for Los Angeles County. She said the money already belongs to the county.

Richard Dixon says L.A. County itself will become an investment for the 457 plan.

Ms. Yonashiro said it "doesn't really matter to the employee" what the actual source of the money will be to pay 457 benefits. She said the county has promised to pay to employees the market rate of return on the assets used, currently about 6% to 6.5% annually.

County officials are meeting with Metropolitan Life executives to draw up an agreement concerning temporary use of the assets, invested in corporate bonds, government agencies and Treasury securities.

County employees have another $250 million in the 457 plan in other investment options. Use of the assets will be temporary and employees will be paid back over a period of six to seven years, county officials said. They said this is the first time they have used 457 plan assets and can't recall similar action by any other governmental agency anywhere in the nation.

Richard B. Dixon, the chief administrative officer of Los Angeles County, said the county it-

See **457 plan** *on page 33*

Farley slashes health liabilities

By Fred Williams

CHICAGO — In what could be a major precedent-setting action, Farley Inc. has restructured its retiree medical benefits and slashed its $100 million unfunded liability by nearly half after first filing a class action against a group of unionized retirees.

Taking pre-emptive action by seeking court approval to modify retiree health obligations might now be an avenue for others to follow, according to some industry and legal sources.

While the focus has been on a similar request by Navistar International Corp., which filed for a declaratory judgment seeking authorization to cut health care benefits for 40,000 unionized United Auto Workers retirees, Farley received court approval to modify retiree medical benefits for 1,800 retired UAW workers.

Farley and the UAW eventually agreed to a negotiated settlement. Navistar has since withdrawn its request, filed late in July in U.S. District Court for the Northern District of Illinois, Chicago, and now will negotiate directly with the union regarding health plan modifications.

The two cases are significant because they go to the heart of how and whether corporations, facing burdensome liabilities for retiree medical benefits, can make unilateral modifications in retiree health plans.

Almost two years before the Navistar action, Farley filed for a declaratory judgment in September 1990 against the UAW as a class in U.S. District Court for the Eastern District of Pennsylvania, Philadelphia. The company sought to terminate a retiree health plan for Doehler-Jarvis Co., an automobile parts manu-

See **Farley** *on page 36*

Companies brace for 1993 proxy season

SEC's long-awaited reforms turn up the heat on directors

By Joel Chernoff and Marlene Givant Star

WASHINGTON — The SEC's long-awaited proxy reform and executive pay disclosure rules will ratchet up pressure on corporate directors.

With directors at Sears, Roebuck and Co. and General Motors Corp. already responding to calls for change by shareholders, experts believe the new rules likely will boister efforts by shareholders to get directors at poorly performing companies to scrutinize top management. Eventually, institutional investors may run their own candidates for the board, some experts said.

Securities and Exchange Commission Chairman Richard C. Breeden said he hopes the new rules "will serve as a wake-up call in America's boardrooms," alerting directors that Americans depend on them to serve in an oversight capacity. "Serving on a board is not an invitation to a picnic," Mr. Breeden said.

The new rules, made final by the SEC Oct. 15, will make it easier for shareholders to communicate with each other without having to undergo costly proxy filing requirements. In addition, the rules also will boost the ability to elect dissident directors to boards, creating greater potential for shake-ups.

What's more, enhanced disclosure of executive compensation practices, requiring a sign-off and rationale by the board's compensation committee, will force directors to pay closer attention to how they compensate top management, corporate governance experts said.

Changes are expected to come gradually, as players adjust to the new rules. In the short run, there's expected to be greater discussion with board members and increased use of "no" votes on the election of directors at poor performers. For the long run, the rule changes could bode dramatic changes in the way corporations are governed, some experts said.

Shareholders "are going to bring pressure to bear on directors to be more pro-active, to really hold management accountable," said John Nash, president of the National Association of Corporate Directors, Washington.

With the newly enhanced ability to run their own candidates for the board, "the potential is there for shareholder interference," Mr. Nash said.

But funds won't nominate directors anytime soon, activists said. "I don't think institutions . . . are ready to run directors," said Richard Koppes, general counsel for the $68 billion California Public Employees' Retirement System, Sacramento. The California fund and the United Shareholders Association, Washington, were instrumental in getting the SEC to review the rules.

Pension funds still will have to rely on insurgents such as Robert A.G. Monks, who has mounted campaigns at Sears the past two years, Mr. Koppes said.

Sarah Teslik, executive director for the Council of Institutional Investors, Washington, said through a spokeswoman that "some pond-scum companies — in terms of performance — and other companies, might see significant action by institutional investors but the more likely outcome (will) be the emergence of new players. The movement will spread."

TOM REED

"Serving on a board is not an invitation to a picnic"
Richard C. Breeden
SEC chairman

Bruce Atwater, chairman of The Business Roundtable's corporate governance task force and chairman and chief executive officer of General Mills Inc., Minneapolis, warned in a release the rules would allow a corporate raider to phone or meet secretly with "large, powerful institutional investors and solicit their support for his effort without disclosing his activity until much later."

"Given the huge concentration of equity holdings in the hands of a relatively small number of institutional investors," he warned, "the ball game could be over, as a

See **SEC** *on page 37*

Investors plan to get tough, abandon 'nice guy' approach

By Marlene Givant Star

Institutional investors' strategies for the annual meeting season, which begins later this month, reflect their perception that nice guys finish last.

Activist public funds continue to focus on poor performers and executive compensation.

"We'll see a mix of tactics aimed at poor performers. (The College Retirement Equities Fund) is the only one left that hasn't adopted that. Even New York City, besides confidential voting, is targeting poor performers," said Peg O'Hara, director of communications of the Investor Responsibility Research Center, Washington.

The strategy of talking to officials of poor-performing companies rather than filing proxy resolutions — embraced by the California Public Employees' Retirement System and other funds last season — has been toughened. Executives of the California fund and the State of Connecticut Trust Funds say they will file resolutions again this season. The Florida State Board of Administration won't file resolutions but will vote immediately against boards of directors of companies that do not take concrete steps in response to the fund's requests.

The activist funds are coming from a position of unprecedented strength. The Securities and Exchange Commission adopted rules earlier this month that will make it easier for shareholders to challenge incumbent directors and require fuller disclosure of executive pay (*see accompanying story*).

In addition, a record number of companies bowed to shareholder requests last proxy season so that shareholder proposals would be dropped. Many agreements with shareholders were reached behind the scenes and outside of the proxy process.

Still, the funds say the behind-the-scenes strategy was not effective enough. Officials of California and Connecticut funds said they will use proxy proposals in 1993 when letter writing and other communications with companies are rendered ineffective.

1992's kinder, gentler approach "didn't work. There wasn't time pressure; there wasn't a stick involved. That's why we're returning to proposals. Four of our 12 companies are carry-overs from last year. We just continued to have nice meetings and phone calls. There was no trigger to make things happen," said Richard Koppes, general counsel of the California system.

"I see some people returning to shareholder resolutions like we are — a lot more activism."

Officials of the $68 billion California system, Sacramento, have written to board chairmen of 12 companies they have considered poor performers for five years, outlining each company's problems and asking its chairman to set up a meeting between system representatives and the company's independent directors. Companies that do not respond within 20 days will be targeted with a shareholder resolution.

The fund will touch on a wide range of board-related issues rather than poison pills or confi-

See **Tough** *on page 33*

Real estate values could plunge 30% more

By Steve Hemmerick

Appraised values of most institutional real estate will continue to plummet in 1993 after failing to hit bottom this year as some investors had hoped, according to the soon-to-be-released "Emerging Trends in Real Estate: 1993" report.

Appraised values of institutional real estate could plunge as much as 25% to 30% in 1993, said Kenneth P. Riggs, president of the Chicago-based consulting firm Real Estate Research Corp. and a key compiler of the report.

The highly regarded report, scheduled to be released Nov. 5, is the result of in-depth interviews with about 100 top real estate professionals about investment prospects for the coming year. The report is a joint venture of RERC and Equitable Real Estate Investment Management Inc., New York. Equitable manages $36 billion in taxable and tax-exempt real estate assets.

Pensions & Investments obtained an advance copy of the report.

The property types with the best investment potential in 1993 are apartments and single-family homes, according to professionals interviewed in the report.

"It doesn't take a rocket scientist to figure out that with (potential) writedowns of this magnitude, given the prices that were expected, it makes it impossible to sell investors on re-entry into the real estate market, especially in a market driven by perceptions and a herd mentality," said Mr. Riggs, referring to the pension investment market. In the 1980s, pension funds invested about $100 billion in equity real estate, encouraged by promises of returns between 4% and 6% above inflation by managers and consultants.

According to the Russell-NCREIF Property Index, an index for unleveraged property investments of tax-exempt investors, real estate had a total return of −7.2% for the year ended June 30 and a total return of 2% compounded annually for the five years. Pension funds have taken some staggering losses on some leveraged properties, losing as much as 100% of their investment.

The future for property investment looks difficult. The professionals said continuing corporate downsizing will mean less demand for office space, according to Paul J. Dolinoy, a senior executive vice president with Equitable Real Estate in the Atlanta office. The office sector has been the worst hit property type, with many institutional-grade office properties losing up to 30% of their value.

Professionals interviewed expect continued slow growth in the employment sector, with incomes dropping and fewer entrants in the job market.

The influx of women into the job market has been a boon to property owners in filling office and other property space. But real estate professionals interviewed said the pace of women entering the job market has been slowing.

Real estate professionals also said the difficulty in getting jobs, with unemployment at 7.5% nationally, has eroded consumer confidence, and that skittish consumers could further hurt retail sales. Professionals also said the baby boomers are aging and that might mean they will be spending less in retail stores. Real estate professionals said they expect a 10% to 15% reduction in the number of weak retail malls by the end of the decade. Obsolete office properties will be a problem for some property owners, they said.

Real estate professionals said they believed the prospects for real estate investment in 1993 will be only mediocre, and that the probable investment return on financing of and lending on real estate will be slightly less than mediocre. RERC and Equitable officials said, however, they expect pension funds to increase their lending on real estate because of the wide spread of 200 basis points to 225 basis points in return on real estate lending over investment in 10-year Treasury securities.

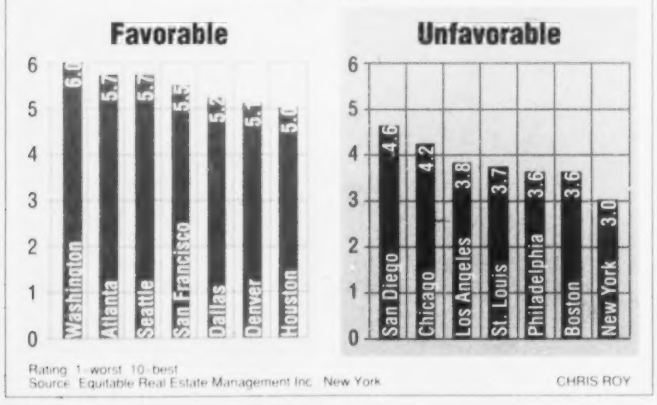
The professionals said a sustained economic expansion, job growth and increased liquidity in the credit market are needed for growth in real estate returns. The professionals expressed doubts about an economic expansion coming soon, and gave a market turnaround only a 38% chance.

According to the professionals, values will begin to increase in retail properties — other than malls — and research and development properties in late 1994. Suburban and downtown office property values probably will

See **Realty** *on page 38*

Outlook for U.S. cities

This is how real estate professionals ranked 14 U.S. cities for investment prospects in 1993.



Rating: 1=worst, 10=best
Source: Equitable Real Estate Management Inc., New York

CHRIS ROY

GOVETT

JOHN GOVETT & CO. LIMITED

OVER 70 YEARS OF EXPERIENCE IN

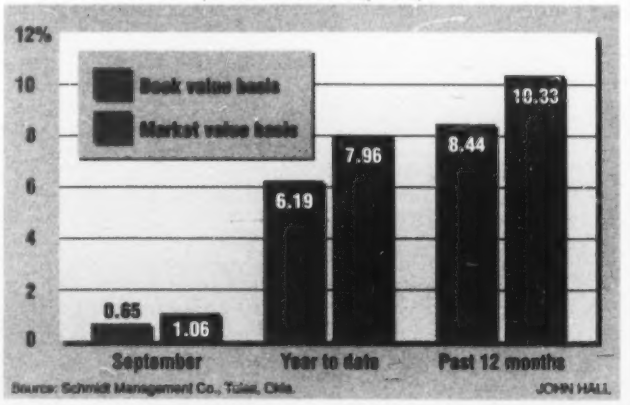
INTERNATIONAL EMERGING MARKETS INVESTING

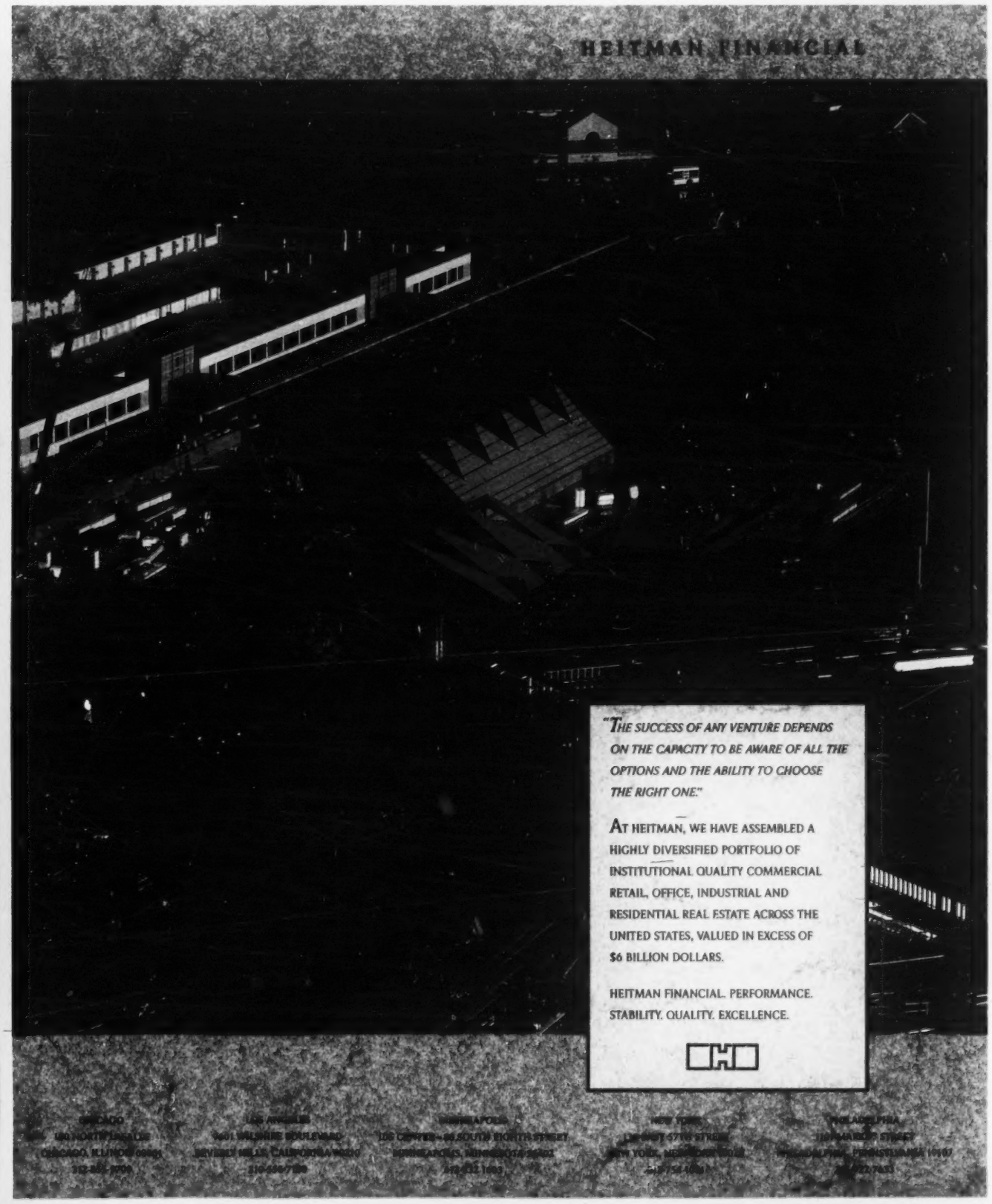
CONTACT: DANIEL M. DAISS, 415-249-0470

London San Francisco Singapore

Schmidt composite GIC indexes

(Periods ended Sept. 30)





"THE SUCCESS OF ANY VENTURE DEPENDS ON THE CAPACITY TO BE AWARE OF ALL THE OPTIONS AND THE ABILITY TO CHOOSE THE RIGHT ONE."

AT HEITMAN, WE HAVE ASSEMBLED A HIGHLY DIVERSIFIED PORTFOLIO OF INSTITUTIONAL QUALITY COMMERCIAL RETAIL, OFFICE, INDUSTRIAL AND RESIDENTIAL REAL ESTATE ACROSS THE UNITED STATES, VALUED IN EXCESS OF $6 BILLION DOLLARS.

HEITMAN FINANCIAL. PERFORMANCE. STABILITY. QUALITY. EXCELLENCE.

H

CHICAGO 191 NORTH LASALLE CHICAGO, ILLINOIS 60606 312-855-8700

LOS ANGELES 9601 WILSHIRE BOULEVARD BEVERLY HILLS, CALIFORNIA 90210 310-550-7500

MINNEAPOLIS 105 CENTER—85 SOUTH EIGHTH STREET MINNEAPOLIS, MINNESOTA 55402 612-332-1600

NEW YORK 1345 AVENUE OF THE AMERICAS NEW YORK, NEW YORK 10105 212-698-4000

PHILADELPHIA 1500 MARKET STREET PHILADELPHIA, PENNSYLVANIA 19102 215-972-7600

MONEY MANAGERS

Mellon teams up with French firm on quant product

■ Mellon Bank Corp., Pittsburgh, and Credit Commercial de France, Paris, have formed a joint-venture to market quantitative active and indexed equity, fixed-income and money market products in the United States and Europe.

CCF-Mellon Partners will be based in Pittsburgh, and initially will act as a marketing arm for the quantitative services each partner brings to the venture, said Mellon's William F. Adam, who will be marketing director of CCF-Mellon.

CCF's Pierre-Edouard de la Tour will serve as deputy marketing manager.

CCF-Mellon will begin marketing CCF's international money market and active, quantitative international equity funds in the United States. Within six months, said Mr. Adam, the U.S.-based quantitative services of Mellon subsidiaries — Mellon Capital Management, Mellon Bond Associates and Mellon Equity Associates — will be offered overseas.

"The investment management styles of both firms are very similar," said Mr. Adam.

Mellon Corp. and its subsidiaries manage total assets of more than $85 billion. The CCF Group has total assets of $58 billion, making it one of France's largest commercial and investment banks. CCF-Mellon Partners is expected to be operational in the fourth quarter of 1992.

— Christine Philip

ACCOUNTING

Specifics due on stock options

■ The Financial Accounting Standards Board issued general guidelines for valuing stock options Oct. 7, although it stopped short of specifying a particular valuation approach.

The FASB did say, however, companies must disclose which model they use for their valuation.

The board will meet Oct. 28 to refine the wording and get more specific about disclosure of stock options and measurement issues.

— Marlene Givant Star

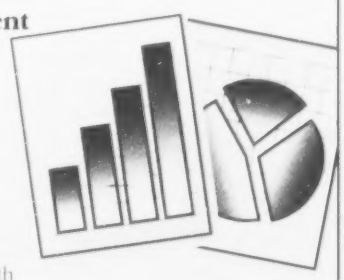
What's next in Pensions & Investments?

Every other Monday, pension, investment and financial executives commanding the flow of funds within the credit and capital markets anticipate the "must reading" that Pensions & Investments provides. Upcoming opportunities for you to target and influence these powerful investors include...

Investment Management Consultants

This issue will combine related editorial with profiles of the leaders in investment management consulting.

Publishing: November 9th
Advertising Closing: October 28th



PIPER, Third Quarter

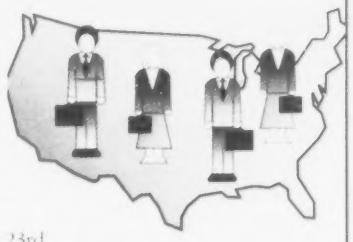
Investment performance highlights from the PIPER third quarter performance report.

PIPER

Publishing: November 23rd
Advertising Closing: November 11th

Defined Contribution Plans

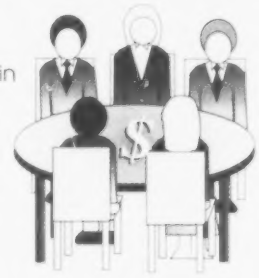
P&I takes another look at defined contribution plans as they grow in the United States.



Publishing: December 7th
Advertising Closing: November 23rd

Investment Management Roundtable

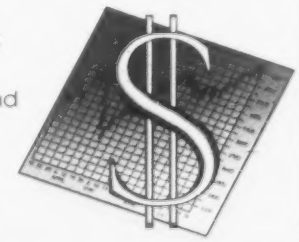
P&I will bring together leaders in the investment industry to discuss the investment outlook for various assets and markets as well as the impact of developments worldwide.



Publishing: December 21st
Advertising Closing: December 9th

Leading Edge Investment Techniques

P&I will delve into pension fund and money manager use of the latest investment vechicles.



Publishing: January 11th
Advertising Closing: December 28th

Reserve your advertising space today by calling the sales office nearest you.

Pensions&Investments
The newspaper of corporate and institutional investing

New York (212) 210-0227 | Los Angeles (213) 651-3710 | Boston (617) 248-6991

Election

Continued from page 1

try made to groups from both parties during this election, nearly $5.5 million was in soft money, two-thirds of which went to Republican party committees, according to a study by the Center for Responsive Politics, a non-partisan research group in Washington.

Among the major contributors to President Bush and/or Republican groups were: Robert A. Day, chairman, Trust Co. of the West, Los Angeles, who gave $153,900; Charles B. Johnson, a senior portfolio manager at Franklin Advisers Inc. and president and chief executive of its parent, Franklin Resources Inc., San Mateo, Calif., $105,500; and John F. Hotchkis, general partner and portfolio manager, Hotchkis and Wiley, Los Angeles, $87,000.

Significant contributors to Gov. Clinton and/or Democratic groups included: Martin T. Sosnoff, chairman and CEO, Atalanta/Sosnoff Capital Corp., New York, $22,000; John H. Hobbs, president, Jennison Associates Capital Corp., New York, $15,000; and William F. Podlich, managing director, Pacific Investment Management Co., Newport Beach, Calif., $7,500.

Contribution amounts were culled from data on file with the Federal Election Commission, Washington. *Pensions & Investments* searched FEC records for contributions from prominent institutional investment executives, as well as from firms ranked among the 100 largest organizations in terms of tax-exempt assets under management.

Contribution limits restrict the amount of funds individuals and groups may give to candidates and committees. While individuals can give only $1,000 to a candidate per election, they can give $20,000 to a national party committee per year and $5,000 to any other political committee per year. Individuals are subject to an annual limit of $25,000 in contributions.

After the nominating conventions, individuals no longer can contribute to individual presidential races and must contribute to the political party committees.

The FEC records revealed a total of $492,250 given to the presidential candidates and the respective political parties from this group of professionals. Contributions to individual local elections were excluded.

Of the total, $31,500 was given to President Bush's campaign directly and $142,875 to national and other Republican Party committees. Gov. Clinton's campaign received $12,000 in contributions and Democratic Party committees received $55,975.

In a few cases, firms had several individuals contributing to one or both of the presidential candidates. Because many people do not indicate their place of business when they make a contribution, however, this information is far from complete.

Because of the large contributions from Messrs. Day, Johnson and Hotchkis, their firms ranked as having the highest contribution levels. Mr. Hotchkis and Mr. Johnson were among the only contributors at their firms listed in FEC records.

At TCW, executives — including Mr. Day — contributed a total of $167,850 to Republican Party committees and $2,000 to the Bush campaign.

At Fayez Sarofim & Co., Houston, individuals contributed $10,000 to the Bush campaign — including $2,000 from Mr. Sarofim, chairman and president of the firm — and $350 to the Republican Party.

At RCM Capital Management, San Francisco, Claude N. Rosenberg Jr., principal, gave $5,000 to the Democratic Party, while Melody L. McDonald, principal gave $1,000 each to President Bush's re-election campaign and the Republican Party.

Gary P. Brinson, president and managing partner at Brinson Partners Inc., Chicago, contributed $2,900 to the Republican Party. James F. Rippey, president of Columbia Management Co., Portland, Ore.; David V. Dootson, chief investment officer at Sears Investment Management Co., Chicago; and Phillip Greer, partner, Weiss, Peck & Greer, New York, each gave $1,000 to President Bush's re-election campaign.

On the Democratic side, Howard Stein, chairman and CEO of The Dreyfus Corp., New York, gave $5,000 to the party, while Peter C. Aldrich, president at Aldrich, Eastman & Waltch, Boston, gave $1,000 each to the Clinton campaign and the Democratic Party. John D. Miller, president and CEO at Equitable Capital Management Corp., New York, contributed $1,000 to the Clinton campaign.

In addition to the investment advisers, several investment bankers and other financial professionals made hefty contributions.

At Forstmann Little & Co., New York, Nicholas C. Forstmann, general partner, gave $55,000 to the Republican cause — $50,000 in soft money to Republican state election efforts and $5,000 to the national party. W. Brian Little, general partner, gave $56,000 — $30,000 in soft money, $25,000 to the national party and $1,000 to President Bush. Theodore J. Forstmann, who is also a general partner at the firm and a national co-chairman of the president's campaign, gave $25,000 in soft money.

William R. Hambrecht, chairman and co-CEO, Hambrecht & Quist, San Francisco, gave $30,000 to the Democratic Party and $1,000 in soft money.

F. Warren Hellman, partner at Hellman & Friedman, San Francisco, gave $12,500 to the Democratic Party.

Roy Furman, president at Furman Selz Inc., New York, gave $2,000 to the Clinton campaign and $10,000 to the Democratic Party.

Weighing in with $10,000 each in contributions to the Democratic Party were Thomas Unterberg, managing director, Unterberg Harris, New York, and Jerome Kohlberg, general partner, Kohlberg & Co., Mount Kisco, N.Y. Messrs. The two also each gave $1,000 to the Clinton campaign. ■

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION
(Required by 39 U.S.C. 3685)

1.a. Title of publication: Pensions & Investments
1.b. Publication No.: 377-070
2. Date of filing: 9-29-92.
3. Frequency of issue: Bi-weekly with a special edition in October.
3.a. Number of issues published annually: 27.
3.b. Annual subscription price: $150.00
4. Location of known office of publication: 740 Rush Street, Chicago, Cook County, IL 60611.
5. Location of the headquarters or general business offices of the publisher: 220 E. 42nd St., New York, NY 10017.
6. Name and address of the publisher: William T. Bisson, Jr., 220 E. 42nd St., New York, N.Y. 10017; editor, Michael J. Clowes, 220 E. 42nd St., New York, N.Y. 10017; managing editor, Elizabeth Karter, 740 Rush St., Chicago, IL 60611.
7. Owner (if owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given: Crain Communications, Inc. 740 N. Rush Street, Chicago, IL 60611; Sidney R. Bernstein, 740 N. Rush St., Chicago, IL 60611; G. R. Crain, 740 N. Rush St., Chicago, IL 60611; R. E. Crain, 220 E. 42nd St., New York, NY 10017; K. E. Crain, 1400 Woodbridge, Detroit, MI 48207.
8. Known bondholders, mortgagees and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities. None.
9. For completion by nonprofit organization authorized to mail at special rates (*DMN Section 424.12 only*). The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes (*Check one*).
☐ Has not changed during the preceding 12 months
☐ Has changed during preceding 12 months.
(*If changed, publisher must submit explanation of change with this statement.*)

10. Extent and nature of circulation	Average no. copies each issue during preceding 12 months	Actual number of copies of single issue published nearest to filing date
A. Total No. Copies Printed (Net Press Run)	51,221	50,250
B. Paid and/or requested Circulation		
1. Sales through Dealers and Carriers, Street Vendors and Counter Sales	28	0
2. Mail Subscriptions	32,159	32,518
C. Total Paid and/or Requested Circulation (sum of 10B1 and 10B2)	32,187	32,518
D. Free Distribution by Mail, Carrier or other means: Samples, complimentary, and other free copies	17,548	16,850
E. Total Distribution (Sum of C and D)	49,735	49,368
F. Copies not distributed		
1. Office use, leftover, unaccounted, spoiled after printing	1,486	882
2. Returns from news agents	0	0
G. Total (Sum of E, F1 and 2—should equal net press run shown in A	51,221	50,250

11. I certify that the statements made by me above are correct and complete.
Gertrude R. Crain
Chairman

Realty

Continued from page 3

begin to increase in late 1995, and hotel properties about early 1996.

They said, however, values on apartment properties could increase in the first quarter of 1993, and values could begin to increase on single-family homes by mid-1993.

Values, the professionals said, could begin to increase on regional malls, industrial properties other than R&D properties, and farmland in late 1993.

Asked to rate property types with the greatest investment potential in 1993 on a 1-to-10 scale with 1 being terrible and 10 being the best, the professionals ranked apartments at 6.3; single-family homes, 6.3; industrial, 5.5; regional malls, 5.1; farmland, 5.0; other retail, 4.2; R&D, 3.8; suburban office 3.1; downtown office, 2.8; and hotels, 2.4.

The professionals expect apartments and multifamily housing to have the strongest short-term performance of all property types. They said demographics favor the midlevel rental properties.

Expensive apartments are competing with single-family homes, and less expensive apartments are suffering, in part, from young single adults returning to their parents' homes because of an ailing economy.

While as many as 10% to 15% of existing malls could disappear by 2000, dominant malls could benefit from the decreased competition, the professionals said.

Industrial properties remain an investor favorite, but some could face technological obsolescence, and the office market faces a long recovery period, the professionals said. ■